

power for their traditional geographic and product markets is rapidly diminishing. In Connecticut for example, the legislature has adopted legislation that encourages and fosters a fully competitive telecommunications marketplace.²⁷ The DPUC, in implementing this legislation, has reformed its rules and regulations to reflect the procompetitive intent of the legislature. As previously discussed, the result of these changes has been to attract numerous new competitors to Connecticut, including nontraditional providers such as cable companies. All of these new providers are presently subject to streamlined regulation at the federal level. Given the significant resources of these national and multinational companies bring to the marketplace, SNET cannot realistically be viewed as exerting market power in all of its traditional markets.

The Commission needs to be cognizant of the significant changes taking place at the local level in such places as Connecticut, and should recognize the implications that these changes have on the ability of LECs to exert market power in the interexchange and access markets. Now is the appropriate time for the Commission to define the conditions required for nondominant status. Delaying this analysis can only serve to delay competition for access services and deny consumers the benefits that result from streamlined regulation.²⁸

²⁷ Public Act 94-83, Connecticut General Statute, Section 16-247.

²⁸ Filing Requirements for Nondominant Common Carriers, CC Docket No. 93-36, Memorandum Opinion and Order, 8 FCC Rcd 6752, 6761 (1993).

B. Reasonable Conditions Should Be Set Now For LECs To Demonstrate Nondominance.

The conditions that a LEC must meet in order to attain nondominant status must strike a balance between allowing LECs sufficient pricing flexibility to be viable competitors and allowing LEC competitors a reasonable opportunity to compete with the LEC at all levels. While much has been said with regard to whether addressability or market share should be the appropriate measure, the real question is whether end users have real choice as to their providers. The *sign non quo* of competition is that customers have a choice of providers upon terms and conditions that make that choice a real one.

USTA's proposal for allowing nondominant treatment based on the relevant exchange carrier access markets is a good starting point, and SNET supports USTA's approach. SNET proposes, however, that the Commission should go farther and allow nondominant treatment for any service and in any area geographic area that has been declared competitive by a state regulatory body. The Commission should recognize that a determination by a state regulatory body is *prima facie* evidence of competition and should allow LECs to be considered nondominant pursuant to such a state determination.

SNET proposes six criteria for allowing streamlined regulation of LEC services as follow:

- (1) Unbundling of loops, local transport and local switching;
- (2) Access to 911, directory assistance, operator services, and white page listings;
- (3) Number portability;
- (4) Mutual compensation;

(5) Local dialing parity; and

(6) Interconnection.

Any LEC that can demonstrate that the above criteria have been met should, as a minimum, be subject to streamlined regulation of its services. Once the six criteria have been implemented, no reasonable argument exists that the LEC continues to maintain bottleneck control of access to end users.

In addition to the six requirements above, the Commission's determination that a service is competitive and merits nondominant treatment should properly consider whether the service is an existing or new service, the number of competitive providers for the service, whether substitutable services exist, the customer's ability to access the alternative provider(s), the geographic area served and the service price levels. The Commission should not use market share as a surrogate for competition. Such a single dimensional view of competition can be extremely harmful to geographically concentrated LECs such as SNET. The view that a LEC must "bleed" before it can achieve sufficient pricing flexibility to be a viable competitor is a cynical view that attempts to allocate the market rather than allow customers to choose.

Even having defined the conditions that would allow a LEC to be treated as a nondominant carrier, the Commission must maintain a flexible approach to the application of those conditions in order to recognize the unique circumstances of individual LECs.

C. The Commission Should Allow Nondominant Treatment of LECs for On a Service by Service Basis and in Selected Geographic Areas Where the Competitive Conditions Are Met.

The Commission's current rule that classifies a carrier as dominant or nondominant in the domestic market as a whole is overly broad in today's evolving marketplace. While such a rule made sense at the time of divestiture when telecommunications was a virtual monopoly, the structure of the industry has radically altered since that time. Numerous competitors, many national in scope offering a broad array of services, and others local in character offering more targeted services, have prospered in today's competitive environment. Connecticut, as have other states, has, through legislation, encouraged this new competitive climate, and, the "monopoly environment" of the eighties and early nineties is no longer a reality.

Given the wide variety and sheer number of telecommunication providers that exist today, there is certainly sufficient justification for the Commission to adopt service and geographic specific rules for nondominance. Connecticut now allows both full resale and full facilities based competition for local exchange service. All the of major interexchange carriers, numerous special telecommunications providers, CAPs, cable companies and others are expected to be providing local services in conjunction with other communications and video offerings in the near future.

This plethora of providers will offer real choice to Connecticut consumers and marks a milestone for competition in Connecticut. Given the resources and capabilities

of the competitors and the real ability of consumers to select their service provider, dominant status for companies such as SNET must fall.

The existence of viable competitors that have the ability to provide equivalent LEC services to end users in either selected parts or all of the LEC franchised area should be a sufficient showing for nondominance. Specific criteria that argue for elimination of dominant status for LECs include: (1) viable competitors with the ability to provide service to end users; and (2) end user choice of service provider. Viable competitors exist if they have the resources and ability to provide end user services. The ability to serve end users initially requires that the LEC provide interconnection, number portability, mutual compensation, and unbundled access to local loops. While resale of local exchange service should not be mandatory to achieve nondominant status, it should be strong evidence that competition exists since it permits a non-facilities based provider the immediate ability to package the provision of local services with its other service offerings.

A LEC that meets the above criteria should be considered nondominant with regard to both the services offered by other providers and the geographic area served by those providers. The geographic area served need not coincide with traditional exchange boundaries. The Commission should allow LECs to show that other areas are appropriate including competitive areas designated by state commissions. A state's determination of geographic areas for competition should be sufficient for the commission to accept a similar area for interstate purposes.

LECs found to be nondominant as to a service or nondominant as to all services within a specified geographic area, should be subject to streamlined regulation. Thus, such nondominant LECs would be able to file tariffs for effect on one day's notice, would be presumed lawful and would not be required to file cost support. Further, services for which the LEC is found nondominant should be removed from price caps. Since the purpose of price cap regulation was to provide a substitute for a fully competitive environment, a service found fully competitive should not be regulated under the price cap regime.

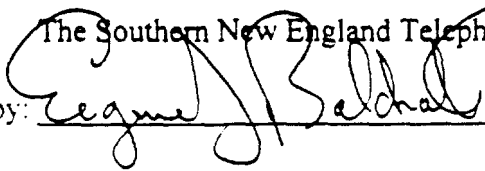
VI. Conclusion

In these comments SNET urges the Commission to expedite price cap rule changes to relax unnecessary pricing restrictions imposed on price cap LECs in the current rules. Secondly, SNET proposes that LECs should be subject to a streamline form of regulation coincident with the presence of alternative providers for comparable services. Third, SNET recommends that the Commission include in its rule revisions, a mechanism that will allow LECs non-dominant status when there is evidence that substitutable services are readily available from sources other than the LECs.

Competition for LECs' services from alternative providers exists today in Connecticut. Alternative providers are not encumbered by artificial pricing rules and regulations and the imposition of rules that shackle the LECs in this competitive environment necessitates immediate response and relief from the Commission.

SNET urges the Commission to expedite rule changes that relax pricing restrictions currently imposed on price cap LECs. The consumers of telecommunications services can only benefit from reduced and relaxed regulations as the competitive market forces will move prices towards costs and encourage efficient investment in infrastructure.

Respectfully submitted,

The Southern New England Telephone Company
by: 

Eugene J. Baldrate
Director - Federal Regulatory
227 Church Street
New Haven, Connecticut 06510
(203) 771-8514

December 11, 1995



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Summary

Ray Quake

Ray Drake
Manager, AT&T Long Distance Service

• ~~discussants discuss and advise their clients. Many discuss with clients how to conduct an interview. They have presented previously on topics related to the process of preparing the interview questions. They have also presented on the importance of the interview in the process of the investigation. They have also presented on the importance of the interview in the process of the investigation. They have also presented on the importance of the interview in the process of the investigation.~~

MCI can help you save.

Exhibit 2

The long and the short of savings.

Once upon a time, you couldn't choose your phone company. But then things changed. Along came a company called MCI,* and people everywhere started paying less for their long distance calls. Now, people throughout Connecticut are discovering that they can choose how much they'll pay on their in-state toll calls, too.

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When you're apart from your family and friends, even a few miles can seem like a long distance — especially when you have something important to share. That's why you should switch to MCI, today. You can save on all your long distance calls. And now, with Friends & Family II Sure Savings,** you can save on your in-state toll calls to your Calling Circle* members, by simply dialing 1 + 700 + the number you're calling. (There's no charge whatever in the way your out-of-state long distance calls are placed. Dial 1 + area code + the number you're calling.)



Friends & Family II Sure Savings.

Choose Friends & Family II Sure Savings for a great deal on long distance! Receive an automatic 20% discount on direct dial calls to everyone you choose in your U.S. Calling Circle of up to 20 numbers — no matter what long distance company they use.

And your discount **DOUBLES** to 40% when you call the MCI customers in your Calling Circle. Then you'll pay these low rates: 7 1/2 cents per minute for evening and weekend calls, and 15 cents per minute for day calls. All for only \$3 a month!

More choices, more savings.

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Great discounts on toll calls within Connecticut.

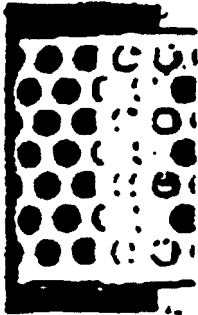
Now that you know how much you can save, give us a call. Switch to MCI, and with Friends & Family II Sure Savings you can save on your calls within Connecticut and within the U.S. Saving in touch with the people you love has never been more affordable.

And get 60 FREE minutes of calls.

To start your savings right away, and welcome you to MCI, we'll be pleased to give you 60 FREE minutes of calling when you switch.* Use them to call anyone you like in the continental U.S. So call the number below, today.

* Your 60 minutes of free long distance calling will be sent to you in the form of one certificate (see card to right) to cover MCI toll. The certificate, valued at \$10.00, represents MCI's charge for 60 minutes of Basic Plan 1 evening calling service in the continental U.S. Rates are effective 6/94.

Exhibit 3



6 Second Billing for Residential Customers

1 Min. & 10 Sec.
Actual Time

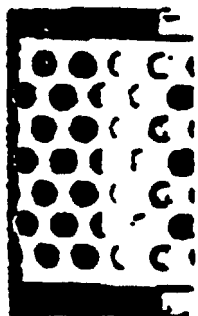
2 Min.
AT&T, MCI and Sprint Bill for ...

1 Min. & 12 Sec.
LCI Bills for ...

Why Pay for time
you don't use?

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up to
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when using LCI's
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Mother's Day 30 minutes 10 per minute LCI International	Father's Day 30 minutes 10 per minute LCI International
Independence Day 30 minutes 10 per minute LCI International	Grandmother's Day 30 minutes 10 per minute LCI International
Thanksgiving 30 minutes 10 per minute LCI International	Christmas 30 minutes 10 per minute LCI International

INTERSTATE DEPRECIATION RESERVE DEFICIENCY

Background

Depreciation, from an accounting perspective, is the allocation of the original cost of a long lived asset over its economic life. Depreciation, from an economic perspective, is the allocation of the original cost based on the loss in revenue generating ability or economic value over an asset's economic life. If the economic life and the allocation is the same both definitions will produce the same loss in economic value. The accounting allocation is based on a straight line model which produces an equal economic loss for each year of the economic life. In reality, the economic loss allocation is rarely straight line as we know from our personal experiences. For example, the change over time of a car's economic value does not normally follow a straight line relationship¹. In most cases, the loss in value is greater in the early years as compared to later years of the economic life. Conversely, in a highly inflationary environment, due to significant price increases for new models, there could be less than the annual straight line loss in economic value.

A reserve deficiency or under-depreciation occurs when the accumulated accounting depreciation, book depreciation reserve, is less than the required reserve². The required reserve represents the accumulated loss in economic value at a particular point in the economic life. It is the depreciation reserve that would produce a net investment or economic value which would put SNET on an equal footing with a competitor who would use the newest technology.

The reserve deficiency or the under-depreciation amount is the difference between the book reserve and the required reserve. The development of a reserve deficiency under regulation was based on the premise that there is no loss in economic value due to economic obsolescence³ since regulators had control of market prices and market economics. Thus this estimate of the reserve deficiency was a result of only changes in economic life and not changes in economic value. The method used to calculate the required reserve under this assumption is called the theoretical reserve method.

The reserve deficiency developed under regulation is based solely on the estimate of economic life. Unfortunately, regulators have not fully incorporated the rapid decreases in economic life resulting from the increasing rate of technological change and the merging of telecommunication and computer technologies. Thus, regulators' prescriptions of economic lives have traditionally lagged the rapid changes in true economic lives of telecommunications network equipment. As a result, estimates of SNET's reserve

¹ Accelerated depreciation methods used for tax depreciation more closely reflect the non-linear allocation characteristic of market dynamics.

² The required reserve is a generic term. The theoretical reserve is a methodology to calculate a required reserve. SNET will propose an alternative method in this paper which unlike the theoretical reserve recognizes economic obsolescence.

³ Economic obsolescence is the impact on an asset's economic value resulting from increased competition and other market forces.

deficiency, which used prescribed lives not economic lives, understate the true reserve deficiency.

The introduction of competition and deregulation into the local exchange market creates a new force, economic obsolescence, which decreases economic value.⁴ The impact of economic obsolescence has not been factored into the traditional development of a depreciation reserve deficiency. Therefore, even if the most up-to-date economic lives were employed in the theoretical reserve method, the resultant reserve deficiency would be understated by the value of economic obsolescence. This means that there will not be full capital recovery at the end of the economic life. SNET has utilized a method which provides a conservative estimate of economic obsolescence to be included in the development of a required reserve⁵. The method makes the assumption that the level of capital recovery⁶ incorporated in the existing tariff rates cannot be increased because of market forces keeping down rate increases. SNET has used this methodology to calculate a reserve deficiency in its filing in 1994 with the Connecticut Department of Public Utility Control (DPUC) in Docket No. 94-10-03.

Method

To develop the interstate depreciation reserve deficiency, it is necessary to calculate (1) the economic lives and (2) the required reserve.

To calculate economic lives, SNET utilized a life cycle methodology for its network assets. This method utilizes SNET's own construction plans and well as industry technology substitution analyses. For the general support assets, the economic lives are established by subject matter experts who are responsible for managing these assets and who are familiar with technology trends affecting the assets. Full documentation of the life cycle data and methodology is included in SNET's 1996 FCC represcription filing FCC Docket 96-485 and DPUC Docket No. 94-10-03.

Attachment 1 shows SNET's estimate of economic lives⁷. SNET believes these economic lives are representative of the technological and competitive trends in the telecommunications industry. These economic lives are used for financial reporting as well as being recommended in FCC Docket 96-485 and DPUC Docket No. 94-10-03. In the December 20, 1996 Memorandum Opinion and Order in FCC Docket 96-485, the FCC did not prescribe the economic lives recommended by SNET. The FCC prescribed depreciation lives which were longer and produced a composite depreciation rate of 8.2%. Similarly, the DPUC in Docket No. 94-10-03, did not approve these economic

⁴ Competition also increases the introduction of new technology and would decrease the economic life.

⁵ It would be difficult to directly estimate economic value until the dimensions and dynamics of the local exchange market have been finalized.

⁶ Capital recovery does not equal depreciation. If depreciation expense is increased as a result of shorter economic lives without increased revenues there is no capital recovery and investors are deprived of their return of and return on invested capital.

⁷ Dr. Vanston provided an affidavit to the USTA comments which supports the realism of SNET's estimates of economic lives based on his industry analysis of technology trends.

lives but longer lives which produced a composite depreciation rate of 8.0%. The DPUC, however, did accept these economic lives to develop a state only reserve deficiency of \$613 million which was accepted in their Order. The Order allowed \$200 million of the reserve deficiency to be amortized over 5 years and recovered through tariff rates and the remainder to be reduced by excess earnings.

The reserve deficiency is calculated as the difference between the book and required reserve. The theoretical reserve method is the traditional method used by the FCC to calculate the required reserve. This method under estimates the affect of economic obsolescence. The theoretical reserve method produces a total-company interstate reserve deficiency of \$657 million⁸ based on investment and book reserve levels as of 12-31-96. Attachment 2 contains Statements A, B, C and D and a Parameter summary which shows the data supporting this value. The associated composite remaining life depreciation rate is 12.5% which assumes that the reserve deficiency will be recovered over the remaining life. This increased depreciation expense must be reflected in increased revenues for there to be full capital recovery. The interstate-only portion of this reserve deficiency is \$174 million.

The theoretical reserve method does not fully reflect economic obsolescence even with the use of up-to-date economic lives. The reason for this is that economic obsolescence is not fully specified in this methodology. A conservative estimate of economic obsolescence has been made by SNET. The total-company reserve deficiency produced using this method is \$950 million. The portion of this reserve deficiency attributed to economic obsolescence is \$293 million (\$950 million - \$657 million). The interstate-only portion of the reserve deficiency is \$251 million and the portion attributed to economic obsolescence is \$77 million. This increased depreciation expense must be reflected in increased revenues for there to be full capital recovery. SNET recommends that the \$251 million interstate reserve deficiency be recovered by billing the interexchange carriers over a 5 year period.

Attachment 3 shows the method used to develop the required reserve and reserve deficiency using SNET's method for estimating economic obsolescence. Column A contains the 1993 prescribed⁹ FCC depreciation rates. Column B contains the future net salvage values used for current financial reporting purposes. Column C represents average remaining lives developed from the economic lives presented in Attachment 1 and 12-31-96 investment levels. Column D shows the development of the percent required reserve. The percent required reserve is calculated as 100% (full recovery) minus the expected capital recovery over the remaining life. The expected capital recovery is the accumulated depreciation over the remaining life that would be produced using the depreciation rates in Column A. Column E is the total-company investment as of 12-31-96. Column F is the required book reserve which is the product of Column D

⁸ This estimate of reserve deficiency was provided as a part of USTA's comments.

⁹ The 1993 prescription results were used because there has not been an increase in capital recovery associated with the 1996 prescription.

and E. Column G is the actual 12-31-96 interstate accumulated depreciation reserve. Column H is the reserve deficiency which is Column G (actual reserve) and Column F (required reserve). Column I is the percent of total-company investment assigned to the interstate jurisdiction. Column J is the interstate portion of the reserve deficiency which is calculated as the product of Columns H and I.

Attachment 1

ECONOMIC LIVES

<u>Account</u>	<u>Class of Plant</u>	<u>Economic Projection Lives</u>
2112	Motor Vehicles	8.9
2115	Garage Work Equip.	12.0
2116	Other Work Equip.	10.0
2121	Buildings	
	Large Buildings	45.0
	Small Buildings	30.0
2122	Furniture	15.0
2123.1	Office Support Equip.	10.0
2123.2	Co. Communications Equip.	7.0
2124	General Purpose Computers	6.0
2211	Analog Electronic Switching	1997.5
2212	Digital Electronic Switching	10.5
2220	Operator Systems	6.0
2231	Radio Systems	N/A
2232.11	Digital Data Systems	N/A
2232.12/.19	Digital Circuit	8.2
2232.21/.29	Analog Circuit	8.7
2351	Public Telephone	7.6
2362	Other Term Equip. - Tel & Misc.	5.0
2411	Poles	35.0
2421	Aerial Cable	
	Aerial Cable - Metallic	12.0
	Aerial Cable - Nonmetallic	30.0
2422.1	Underground Cable - Metallic	12.0
2422.2	Underground Ca - Nonmetallic	30.0
2423	Buried Cable	
	Buried Cable - Metallic	10.5
	Buried Cable - Nonmetallic	30.0
2424	Submarine Cable	
	Submarine Cable - Metallic	16.0
	Submarine Cable - Nonmetallic	30.0
2426	Intrabuilding Ntwk Cable	
	Intrabuilding Ntwk Ca - Metallic	11.5
	Intrabuilding Ntwk Ca - Nonmetallic	30.0
2441	Conduit Systems	55.0

Attachment 2

Company: Southern New England Telephone
 State : Connecticut
 Statement A - Remaining Life
 Page 1 of 5

SUMMARY OF CHANGES IN DEPRECIATION RATES

ACCT	CLASS OF PLANT	FCC RATES IN EFFECT 1/1/96				RATES BASED ON ECONOMIC LIVES IN EFFECT 12/31/96			
		AVG. REM. LIFE	BOOK RESERVE %	FUTURE NET SALVAGE %	DEPR RATE %	AVG. REM. LIFE	BOOK RESERVE %	FUTURE NET SALVAGE %	DEPR RATE %
		A	B	C	D	E	F	G	H
2112	MOTOR VEHICLES	3.8	53.9	7.0	10.3	3.7	56.0	7.0	10.0
2115	GARAGE WORK EQUIP.	6.1	33.1	0.0	11.0	6.0	37.7	0.0	10.4
2116	OTHER WORK EQUIP.	4.8	62.2	2.0	7.5	4.7	62.9	2.0	7.5
2121	BUILDINGS	23.0	32.7	-5.0	3.1	23.0	32.2	-62.0	5.6
2122	FURNITURE	7.9	36.6	1.0	7.9	9.4	33.1	2.0	6.9
2123.1	OFFICE SUPP'T EQUIP.	5.5	63.7	0.0	6.6	5.5	66.7	0.0	6.1
2123.2	CO. COMM. EQUIP.	3.4	40.6	0.0	17.5	3.2	46.5	0.0	16.7
2124	GEN. PURPOSE CMPTR.	2.7	58.6	1.0	15.0	2.7	57.7	2.0	14.9
2211	ANALOG ELEC. SW.	2.0	73.4	-4.0	15.3	1.0	83.8	-4.0	20.2
2212	DIGITAL ELEC. SW.	8.5	31.1	0.0	8.1	5.2	34.7	-4.0	13.3
2220	OPERATOR SYSTEMS	2.2	89.8	0.0	4.6	1.7	94.1	0.0	3.5
2231	RADIO SYSTEMS	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2232.12/19	DIGITAL CIRCUIT	5.5	48.8	0.0	9.3	3.9	50.6	-5.0	13.9
2232.21/29	ANALOG CIRCUIT	2.8	82.3	-5.0	8.1	2.6	86.3	-5.0	7.2
2351	PUBLIC TELEPHONE	5.1	33.1	0.0	13.1	5.7	29.5	0.0	12.4
2362	OTE - TEL & MISC	2.3	53.5	-5.0	22.4	2.7	55.6	-5.0	18.3
2411	POLES	20.0	61.9	-75.0	5.7	20.0	65.6	-75.0	5.5
2421	AERIAL CABLE	10.6	49.4	-20.0	6.7	5.1	52.5	-28.0	14.8
2422.1	UNDRGRND CA. - MET.	11.3	58.1	-12.0	4.8	3.8	62.1	-16.0	14.2
2422.2	UNDRGRND CA. - NON MET	18.7	11.9	-10.0	5.2	18.6	13.7	-10.0	5.2
2423	BURIED CABLE	10.3	43.3	-10.0	6.5	4.5	47.5	-24.0	17.0
2424	SUBMARINE CABLE	9.8	72.3	-11.0	3.9	4.7	75.3	-23.0	10.1
2426	INTRABLDNG NTWK CA.	3.4	40.4	-27.0	25.5	4.3	55.6	-32.0	17.8
2441	CONDUIT SYSTEMS	36.0	32.8	-10.0	2.1	36.0	33.7	-40.0	3.0

Attachment 2

Company: Southern New England Telephone

State : Connecticut

Statement B - Remaining Life

Page 2 of 5

CHANGE IN ANNUAL DEPRECIATION EXPENSE (\$000)

FCC Rates Effective 1/1/96						Rates Effective 12/31/96 Based on Economic Lives			
ACCT	CLASS OF PLANT	Investment 12/31/96 I	Depreciation Accruals J=I*D	Annual Amort Amount K	Total L=J+K	Depr. Accruals M=I*H	ANNUAL AMORT. N	TOTAL O=M+N	TOTAL CHANGE IN EXPENSE P=O-L
2112	MOTOR VEHICLES	68,852	7,092	0	7,092	6,885	0	6,885	(207)
2115	GARAGE WORK EQUI	4,705	518	0	518	489	0	489	(29)
2116	OTHER WORK EQUIP.	35,513	2,663	0	2,663	2,663	0	2,663	0
2121	BUILDINGS	368,059	11,410	0	11,410	20,611	0	20,611	9,201
2122	FURNITURE	30,582	2,416	0	2,416	2,110	0	2,110	(306)
2123.1	OFFICE SUPP'T EQUIP	10,420	688	0	688	636	0	636	(52)
2123.2	CO. COMM. EQUIP.	42,564	7,449	0	7,449	7,108	0	7,108	(341)
2124	GEN. PURPOSE CMPT	245,981	36,897	0	36,897	36,651	0	36,651	(246)
2211	ANALOG ELEC. SW.	289,427	44,282	0	44,282	58,464	0	58,464	14,182
2212	DIGITAL ELEC. SW.	606,892	49,158	0	49,158	80,717	0	80,717	31,559
2220	OPERATOR SYSTEMS	12,666	583	0	583	443	0	443	(140)
2231	RADIO SYSTEMS	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2232.12/13	DIGITAL CIRCUIT	768,700	71,489	0	71,489	106,849	0	106,849	35,360
2232.21/22	ANALOG CIRCUIT	71,004	5,751	0	5,751	5,112	0	5,112	(639)
2351	PUBLIC TELEPHONE	26,415	3,460	0	3,460	3,275	0	3,275	(185)
2362	OTHER TERMINAL EQUI	20,788	4,657	0	4,657	3,804	0	3,804	(853)
2411	POLES	146,050	8,325	0	8,325	8,033	0	8,033	(292)
2421	AERIAL CABLE	633,801	42,465	0	42,465	93,803	0	93,803	51,338
2422.1	UNDRGRND CA. - MET	282,337	13,552	0	13,552	40,092	0	40,092	26,540
2422.2	UNDRGRND CA. - NON	81,361	4,231	0	4,231	4,231	0	4,231	0
2423	BURIED CABLE	150,092	9,756	0	9,756	25,516	0	25,516	15,760
2424	SUBMARINE CABLE	2,035	79	0	79	206	0	206	127
2426	INTRABLDNG NTWK C	45,326	11,558	0	11,558	8,068	0	8,068	(3,490)
2441	CONDUIT SYSTEMS	240,088	5,042	0	5,042	7,203	0	7,203	2,161
	TOTAL	4,183,658	343,521	0	343,521	522,969	0	522,969	179,448
	COMPOSITES		8.2		8.2	12.5		12.5	

Attachment 2

Company: Southern New England Telephone
State : Connecticut
Statement C - Reserves
Page 3 of 5

SUMMARY OF RESERVES 1-1-96

ACCT	CATEGORY	Investment 12/31/96 A (\$000)	Book Reserve		Average Service Life D	Average Remaining Life E	Average Net Salvage F (%)	Future Net Salvage G (%)	Theoretical Reserve	
			AMOUNT	Percent					Amount	Percent
			B	C=B/A					H=I*A	# I
			(\$000)	(%)					(\$000)	(%)
2112	MOTOR VEHICLES	68,852	38,558	56.0	9.2	3.7	8.0	7.0	38,557	56.0
2115	GARAGE WORK EQUIP.	4,705	1,775	37.7	11.6	6.0	-3.0	0.0	2,197	46.7
2116	OTHER WORK EQUIP.	35,513	22,323	62.9	10.2	4.7	6.0	2.0	19,425	54.7
2121	BUILDINGS	368,059	118,378	32.2	35.0	23.0	-60.0	-62.0	209,425	56.9
2122	FURNITURE	30,582	10,108	33.1	14.5	9.4	2.0	2.0	10,551	34.5
2123.1	OFFICE SUPP'T EQUIP.	10,420	6,948	66.7	12.3	5.5	2.0	0.0	5,856	56.2
2123.2	CO. COMM. EQUIP.	42,564	19,780	46.5	7.6	3.2	0.0	0.0	24,644	57.9
2124	GEN. PURPOSE CMPTR.	245,981	141,860	57.7	6.6	2.7	4.0	2.0	144,391	58.7
2211	ANALOG ELEC. SW.	289,427	242,416	83.8	8.4	1.0	-1.0	-4.0	266,273	92.0
2212	DIGITAL ELEC. SW.	606,892	210,882	34.7	10.5	5.2	-4.0	-4.0	318,618	52.5
2220	OPERATOR SYSTEMS	12,666	11,924	94.1	7.0	1.7	0.0	0.0	9,588	75.7
2231	RADIO SYSTEMS	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2232.12/19	DIGITAL CIRCUIT	768,700	389,032	50.6	8.9	3.9	-4.0	-5.0	456,608	59.4
2232.21/29	ANALOG CIRCUIT	71,004	61,297	86.3	11.5	2.6	-3.0	-5.0	58,011	81.7
2351	PUBLIC TELEPHONE	26,415	7,784	29.5	8.3	5.7	-4.0	0.0	7,555	28.6
2362	OTHER TERMINAL EQUIP.	20,788	11,554	55.6	5.9	2.7	-4.0	-5.0	11,932	57.4
2411	POLES	146,050	95,802	65.6	31.0	20.0	-64.0	-75.0	101,067	69.2
2421	AERIAL CABLE	633,801	332,436	52.5	14.4	5.1	-26.0	-28.0	528,590	83.4
2422.1	UNDRGRND CA. - MET.	282,337	175,459	62.1	16.5	3.8	-13.0	-16.0	254,103	90.0
2422.2	UNDRGRND CA. - NON MET.	81,361	11,113	13.7	23.0	18.6	-9.0	-10.0	17,818	21.9
2423	BURIED CABLE	150,092	71,256	47.5	13.0	4.5	-23.0	-24.0	122,175	81.4
2424	SUBMARINE CABLE	2,035	1,533	75.3	27.0	4.7	-11.0	-23.0	2,111	103.7
2426	INTRABLDNG NTWK CA.	45,326	25,182	55.6	12.9	4.3	-18.0	-32.0	42,017	92.7
2441	CONDUIT SYSTEMS	240,088	80,928	33.7	50.0	36.0	-40.0	-40.0	94,115	39.2
TOTAL		4,183,658	2,088,327	49.9					2,745,627	65.6

$$\# I = (100-G) - ((100-F) * (E/D))$$

Attachment 2

Company: Southern New England Telephone

State : Connecticut

Statement D

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STATEMENT D

SUMMARY OF INTRASTATE DEPRECIATION RESERVE IMBALANCE

(\$000)

ACCT	CATEGORY	THEORETICAL RESERVE REQUIREMENT J	BOOK RESERVE K	RESERVE IMBALANCE L=J-K
2112	MOTOR VEHICLES	38,557	38,558	(1)
2115	GARAGE WORK EQUIP.	2,197	1,775	422
2116	OTHER WORK EQUIP.	19,425	22,323	(2,898)
2121	BUILDINGS	209,425	118,378	91,047
2122	FURNITURE	10,551	10,108	443
2123.1	OFFICE SUPPT EQUIP.	5,856	6,948	(1,092)
2123.2	CO. COMM. EQUIP.	24,644	19,780	4,864
2124	GEN. PURPOSE CMPTR.	144,391	141,860	2,531
2211	ANALOG ELEC. SW.	266,273	242,416	23,857
2212	DIGITAL ELEC. SW.	318,618	210,882	107,736
2220	OPERATOR SYSTEMS	9,588	11,924	(2,336)
2231	RADIO SYSTEMS	N/A	N/A	N/A
2232.12/19	DIGITAL CIRCUIT	456,608	389,032	67,576
2232.21/29	ANALOG CIRCUIT	58,011	61,297	(3,286)
2351	PUBLIC TELEPHONE	7,555	7,784	(229)
2362	OTE - TEL & MISC	11,932	11,554	378
2411	POLES	101,067	95,802	5,265
2421	AERIAL CABLE	528,590	332,436	196,154
2422.1	UNDRGRND CA. - MET.	254,103	175,459	78,644
2422.2	UNDRGRND CA. - NON MET.	17,818	11,113	6,705
2423	BURIED CABLE	122,175	71,256	50,919
2424	SUBMARINE CABLE	2,111	1,533	578
2426	INTRABLDNG NTKW CA.	42,017	25,182	16,835
2441	CONDUIT SYSTEMS	94,115	80,928	13,187
	TOTAL	2,745,627	2,088,327	657,300
DEC-96 INTERSTATE FACTOR				0.26403
INTERSTATE PORTION				173,549

Attachment 2

Company : So. New England Tel.

State : Connecticut

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PARAMETER REPORT

ACCOUNT	CATEGORY	FIRST ELG YEAR	P-LIFE OR AYFR	AVG. NET SALV.	FUTURE NET. SALV.	CURVE SHAPE PARAMETERS		
						c	G	S
2112	MOTOR VEHICLES	1984	8.9	8.0	7.0	1.5600000E+00	-6.3475617E-03	6.4655015E-03
2115	GARAGE WORK EQUIP.	1984	12.0	-3.0	0.0	1.0100000E+00	-1.5345229E+01	1.5653031E-01
2116	OTHER WORK EQUIP.	1984	10.0	6.0	2.0	1.1100000E+00	-2.6043698E-02	1.6981771E-03
2121	BUILDINGS			-60.0	-62.0			
	BLDGS.-LARGE	1984	45.0	-57.0	-60.0	1.1842873E+00	-1.0144970E-01	1.5576545E-02
	BLDGS.-SMALL	1984	30.0	-64.0	-67.0	1.1333974E+00	-2.1745512E-01	2.3968840E-02
2122	FURNITURE	1984	15.0	2.0	2.0	8.8000000E-01	-2.5071273E+00	-1.7318573E-01
2123.1	OFFICE SUPPORT EQUIP.	1984	10.0	2.0	0.0	6.8999990E-01	-1.9519180E-01	-5.2703590E-02
2123.2	CO. COMM. EQUIP.	1987	7.0	0.0	0.0	9.5000000E-01	-3.1194556E+00	-1.5129292E-01
2124	GEN. PURPOSE CMPTRS.	1984	6.0	4.0	2.0	1.3100000E+00	-4.0925624E-02	1.0882313E-02
2211	ANALOG ELEC. SW.	N/A	1997.5	-1.0	-4.0	CR	1.5000000E-02	
2212	DIGITAL ELEC. SW.	1983	10.5	-4.0	-4.0		BELL CURVE GM 2.5	
2220	OPERATOR SYSTEMS	1983	6.0	0.0	0.0	1.9800000E+00	-1.6146801E-02	2.2817724E-02
2231	RADIO SYSTEMS	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2232.11	DIGITAL DATA SYSTEMS	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2232.12/19	DIGITAL CIRCUIT-OTHER	1983	8.2	-4.0	-5.0	1.0700000E+00	-3.3634119E-01	1.8211871E-02
2232.21/29	ANALOG CIRCUIT-OTHER	1983	8.7	-3.0	-5.0	1.4700000E+00	-6.4897927E-04	-1.5032184E-02
2351	PUBLIC TELEPHONE	N/A	7.6	-4.0	0.0	1.1517838E+00	-7.6985600E-02	-3.9036399E-03
2362	OTHER TERMINAL EQUIP.	N/A	5.0	-4.0	-5.0	1.1517838E+00	-7.6985600E-02	-3.9036399E-03
2411	POLES	1982	35.0	-64.0	-75.0	1.1700000E+00	-1.8366790E-05	-4.8641268E-03
2421	AERIAL CABLE			-26.0	-28.0			
	AERIAL CA.-MET.	1982	12.0	-26.0	-29.0	1.1200000E+00	-8.6283309E-03	-3.8316616E-04
	AERIAL CA.-NONMET.	1982	30.0	-10.0	-10.0	1.1200000E+00	-5.1795895E-02	3.6537083E-03
2422	UNDRGRND CA.-MET.	1982	12.0	-13.0	-16.0	1.0500000E+00	-1.8102670E-02	-7.7546206E-04
2422	UNDRGRND CA.-NONMET.	1982	30.0	-9.0	-10.0	9.9000000E-01	-4.3565692E+01	-4.3298838E-01
2423	BURIED CABLE			-23.0	-24.0			
	BURIED CA.-MET.	1982	10.5	-23.0	-24.0	1.0100000E+00	-1.8154770E+00	1.7728582E-02
	BURIED CA.-NONMET.	1982	30.0	0.0	0.0	1.0100000E+00	-1.8154770E+00	1.7728582E-02
2424	SUBMARINE CABLE			-11.0	-23.0			
	SUB. CA.-MET.	1982	16.0	-11.0	-23.0	1.0100000E+00	-1.8988182E+00	1.9196455E-02
	SUB. CA.-NONMET.	1982	30.0	0.0	0.0	1.0100000E+00	-1.8988182E+00	1.9196455E-02
2426	INTRABLDNG NTKW CA.			-18.0	-32.0			
	INTRABLDG. CA.-MET.	1982	11.5	-18.0	-32.0	9.4000000E-01	-6.5474923E+00	-2.8127632E-01
	INTRABLDG. CA.-NONMET.	1982	30.0	0.0	0.0	9.4000000E-01	-6.5474923E+00	-2.8127632E-01
2441	CONDUIT SYSTEMS	1982	55.0	-40.0	-40.0	1.0741600E+00	-1.5729000E-03	-1.0080000E-03

RESERVE REQUIREMENT WITH ECONOMIC OBSOLESCENCE

CATEGORY	1/1/93 FCC Rate %	12/31/96 FCC FNS%	12/31/96 Average Remaining Life (Economic Life)	12/31/96 Required Book Reserve %	12/31/96 Total Investment \$	12/31/96 Required Book Reserve \$	12/31/96 Actual Book Reserve \$	12/31/96 Total Reserve Imbalance \$	Dec-96 Separa Factor (I)	12/31/96 Inter State Reserve Imbalance \$
	(A)	(B)	(C)	(D)=100-B-(A*C)	(E)	(F)=D*E	(G)	(H)=F-G		(J)=H*I
MOTOR VEHICLES	10.0	8.0	3.7	55.0	68,852	37,868	38,558	(689)	0.25633	(177)
GARAGE WORK EQUIP.	7.1	0.0	6.0	57.4	4,705	2,701	1,775	926	0.25633	237
OTHER WORK EQUIP.	8.0	2.0	4.7	60.4	35,513	21,450	22,323	(873)	0.25633	(224)
BUILDINGS	3.1	-62.0	23.0	90.7	368,059	333,829	118,378	215,451	0.25633	55,227
FURNITURE	5.0	1.0	9.4	52.0	30,582	15,903	10,108	5,795	0.25633	1,485
OFFICE SUPPT EQUIP.	6.2	0.0	5.5	65.9	10,420	6,867	6,948	(81)	0.25633	(21)
CO. COMM. EQUIP.	7.6	3.0	3.2	72.7	42,564	30,935	19,780	11,155	0.25633	2,859
GEN. PURPOSE CMPTR.	12.1	1.0	2.7	66.3	245,981	163,159	141,860	21,300	0.25633	5,460
ANALOG ELEC. SW.	12.4	0.0	1.0	87.6	289,427	253,538	242,416	11,122	0.25450	2,830
DIGITAL ELEC. SW.	7.5	0.0	5.2	61.0	606,892	370,204	210,882	159,322	0.25450	40,547
OPERATOR SYSTEMS	7.7	0.0	1.7	86.9	12,666	11,008	11,924	(916)	0.19173	(176)
RADIO SYSTEMS	8.1	0.0	0.0	100.0	0	0	0	0	0.33453	0
DIGITAL DATA SYS.	0.0	0.0	0.0	100.0	0	0	0	0	0.33453	0
DIGITAL CIRCUIT	10.9	0.0	3.9	57.5	768,700	441,925	389,032	52,893	0.33453	17,695
ANALOG CIRCUIT	11.0	-6.0	2.6	77.4	71,004	54,957	61,297	(6,339)	0.33453	(2,121)
PUBLIC TELEPHONE	6.1	1.0	5.7	64.2	26,415	16,966	7,784	9,182	0.25000	2,296
OTHER TEMINAL EQUIP.	11.3	0.0	2.7	69.5	20,788	14,446	11,554	2,891	0.25000	723
POLES	6.1	-73.0	20.0	51.0	146,050	74,486	95,802	(21,316)	0.26487	(5,646)
AERIAL CABLE	5.8	-20.0	5.1	90.4	633,801	573,083	332,436	240,647	0.26487	63,741
UNDRGD CA. - MET.	4.6	-12.0	3.8	94.5	282,337	266,865	175,459	91,406	0.26487	24,211
UNDRGD CA. - NON MET.	4.2	-6.0	18.6	27.9	81,361	22,683	11,113	11,571	0.26487	3,065
BURIED CABLE	4.9	-9.0	4.5	87.0	150,092	130,505	71,256	59,249	0.26487	15,694
SUBMARINE CABLE	3.4	0.0	4.7	84.0	2,035	1,710	1,533	177	0.26487	47
INTRABLDNG NTWK CA.	5.2	-27.0	4.3	104.6	45,326	47,429	25,182	22,247	0.26487	5,893
CONDUIT SYSTEMS	2.2	-40.0	36.0	60.8	240,088	145,974	80,928	65,045	0.26487	17,229
					4,183,658	3,038,492	2,088,327	950,164		250,874



STATE OF CONNECTICUT

Exhibit 5
(Consisting of 46 pages)
CC Dkt. 96-296
SNET Comments
Jan. 19, 1997

DEPARTMENT OF PUBLIC UTILITY CONTROL
ONE CENTRAL PARK PLAZA
NEW BRITAIN, CT 06051

DOCKET NO. 94-10-03 DPUC INVESTIGATION INTO THE SOUTHERN NEW
ENGLAND TELEPHONE COMPANY'S INTRASTATE
DEPRECIATION

November 21, 1995

By the following Commissioners:

Thomas M. Benedict
Reginald J. Smith
Jack R. Goldberg

DECISION

11-28-95

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